

WeatherWise USA, Inc.
A Solution to the Problem of Volatile Energy Bills

Introduction

Energy price spikes and cold weather caused heating bills to skyrocket last winter. This produced widespread concern and dissatisfaction on the part of energy consumers. For some energy consumers, the high bills created real hardships. State public utility commissions throughout the country are seeking solutions to this problem.

A proven service from WeatherWise can help. WeatherWise provides utility companies with a turnkey program that enables them to offer their residential and small commercial customers a guaranteed annual energy bill – the WeatherProof BillSM. Customers pay the same amount each month for the one-year term regardless of changes in energy prices or the weather. Unlike traditional budget bills, there is no true up or reconciliation. The program enables homeowners and small commercial energy consumers to benefit from the type of sophisticated risk management services formerly available to only the very largest energy consumers.

Volatile energy bills are a major source of customer dissatisfaction. The WeatherProof Bill program is an innovative and superior means of addressing this problem. Customer participation in the program is completely voluntary and all program costs are recovered only from participating customers. The program benefits all customers, both those who choose to participate and those who do not. It offers customers a meaningful choice without the significant complexity and risk of a supplier choice program.

The WeatherProof Bill: Simplicity and Predictability = Customer Satisfaction

Independent research has shown that the WeatherProof Bill appeals to energy consumers who value *simplicity* and *predictability*. Many consumers are confused by their utility bills and feel that they lack control over them. The WeatherProof Bill provides these consumers with simplicity, predictability and a greater sense of control.

The results of WeatherWise's extensive market research and customer satisfaction surveys offers compelling evidence of the high level of consumer interest in and satisfaction with the service. About one half of all consumers surveyed are interested in the WeatherProof Bill. This interest is fairly constant across regions of the country and for both gas and electric service.

A nation-wide survey conducted in the spring of 2000, before the energy price spikes and cold weather of last winter, and before the economic downturn, showed that almost one half of all utility customers were dissatisfied with their utility bills. Approximately three out of four of those who were dissatisfied were interested in a WeatherProof Bill.

WeatherWise's surveys of existing WeatherProof Bill customers show that almost 90% are satisfied with the service. Almost 80% said they would recommend the service to a friend. Most importantly, over 90% of eligible WeatherProof Bill customers re-enroll in the program each year.

Interest in the WeatherProof Bill is also broad with respect to customer demographics. Although middle-aged, middle-income families with two wage earners are the group most likely to enroll, many other groups have almost as high an interest level. For example, the benefits of a predictable, guaranteed annual energy bill are obvious for families on tight budgets who are struggling to make ends meet.

Small businesses can also benefit from the WeatherProof Bill since it protects them from spikes in energy costs that can devastate cash flow. The service also enables nonprofit or public organizations, such as schools or religious institutions to budget knowledgeably for energy. With the protection of the WeatherProof Bill, these organizations do not have to seek additional funding to pay their energy bill because of an unusually hot summer or cold winter.

The WeatherProof Bill Program – Other Benefits

It provides a choice. An additional alternative to traditional utility services enhances customer satisfaction, even if the customer does not choose that alternative. When energy bills become volatile, the availability of this choice could mitigate the dissatisfaction of even those customers who did not select it since they made the conscious decision to take their chances on market prices and the weather.

The WeatherProof Bill increases the convenience of electronic bill payment. A consumer is more likely to choose automatic payment from his bank account if he knows that the amount will not vary. The WeatherProof Bill also makes it easier for those who are struggling to make ends meet. They can budget more accurately because they know as much as 12 months in advance what they will have to pay and when.

A WeatherProof Bill program contains a number of features to encourage efficient energy use. Communication materials indicate that the service is intended to provide the consumer with protection from factors beyond their control such as weather and prices but not from efficiency declines. The materials also explain that a consumer, who uses significantly more energy because of changes in efficiency, may be removed from the program. In addition, WeatherWise's system is capable of closely tracking changes in efficiency and providing this information to the consumer through an annual efficiency scorecard. WeatherWise's Enercheck Efficiency Report shows the impact of efficiency changes on an individual's energy consumption and bills. The consumer sees the direct relationship

Consumers say what they like about the WeatherProof Bill

"No unexpected bills at end of year"

"It would be a nice feature to have a regular payment amount"

"Because you can budget your money for something else"

"It would simplify things for me"

"Can reduce the amount of bookkeeping time"

"It would be easier to close our books. We wouldn't have to wait for the bill to come before we sent the check out"

"End of price fluctuation"

"Convenience"

between his behavior and his energy bill, and can make decisions that will save money and increase energy efficiency.

The WeatherProof Bill Program – A Superior Solution

A Weatherproof Bill program is a better way to address the problem of volatile utility bills than are system supply price-hedging programs, fixed-unit price offerings and budget bills.

Participation in a WeatherProof Bill program is purely voluntary. Those who value predictability enroll in the program and cover the associated costs. In contrast, customers have no choice regarding participation in a system supply price-hedging program. Although many customers place a high value on predictability, others do not. This “one size fits all” approach certainly has the potential to cause customer dissatisfaction since even those customers who do not value the additional stability provided by the program are required to pay for it.

Unlike other programs, the WeatherProof Bill eliminates volatility instead of only reducing it. Since the WeatherProof Bill eliminates both price and weather related volatility, it provides the ultimate in simplicity and predictability. In contrast, system price-hedging programs and voluntary fixed-unit price offerings are only “half-way measures” with regard to volatility. Such programs reduce/eliminate price-related volatility but have no impact at all on weather related volatility. Bills remain volatile and customers remain dissatisfied. Customers who seek predictability will not be satisfied with anything less.

The WeatherProof Bill is different from a budget bill and other level payment plans. A budget bill gives consumers an average price until the end of the year when the consumer gets a bill that can be less - or substantially more. After a cold winter or a hot summer, a budget bill can break the budget of individuals or organizations on fixed incomes. This and the fact that many customers are confused by or forget about the true-up feature of budget bills are sources of dissatisfaction. The WeatherProof Bill eliminates these major sources of dissatisfaction.

The WeatherProof Bill – The Methodology

Using advanced computer models; WeatherWise analyzes the energy usage of each eligible consumer as a function of actual weather data (HDD/CDD) for the previous 6-18 months. This relationship is then used to compute consumption for each individual consumer under normal weather conditions. Next, the result is multiplied by the applicable fixed-unit price and the WeatherProof Bill fee is added, producing a quote customized for that consumer.

WeatherWise has invested millions of dollars and more than four years developing its highly accurate sophisticated modeling system. The modeling system produces highly accurate quotes by testing up to thousands of algorithms to find the appropriate fit for each individual consumer. The system is capable of rapidly calculating high volumes of individual WeatherProof Bill quotes and in performing related critical accounting functions

The WeatherProof Bill Program – A Turnkey Program for Utility Companies

WeatherWise provides utility companies and other energy suppliers with a turnkey program that enables them to offer WeatherProof Bills to their customers. WeatherWise provides assistance in managing the weather-related financial risk and other risks associated with the program; funds and manages the communication and enrollment process on behalf of the participating utility; and provides additional administrative support.

So far, the WeatherProof Bill Program has been offered in eleven states. Two major utility companies are currently offering programs approved by their respective Public Utility Commissions for residential and small commercial consumers. Kansas Gas Services and Reliant Minnegasco offer the service to residential and small commercial consumers in the eastern Kansas and Minneapolis areas respectively.

Two additional major utility companies have proposed similar programs and their requests are now pending before the Public Utility Commissions in their respective states. WeatherWise expects that two other utility companies (one a natural gas utility and the other a major electric utility) will submit filings to their Public Utility Commissions soon for major programs to begin in 2002. WeatherWise also is working with a number of other utility companies on new programs for 2002 and beyond.

About WeatherWise USA

WeatherWise USA is a financial services company that provides services and programs that reduce weather-related financial risks for energy consumers. It offers a variety of energy management and consulting services to energy providers, including energy-related earnings protection and energy resource planning.

WeatherWise, USA is a privately held corporation. Its predecessor, WeatherWise USA, LLC, was established in October 1996. The company was restructured into a corporation in September 1999 to better position it to take advantage of growth opportunities. The company's headquarters is located in Pittsburgh, Pennsylvania. The company also has offices in Chicago and Denver.

For more information contact **WeatherWise USA, Inc.** at (412) 320-4000 or visit our website: www.weatherwiseusa.com.